

STATE OF IOWA
DEPARTMENT OF COMMERCE
UTILITIES BOARD

IN RE: BOARD OF TRUSTEES OF INDIANOLA MUNICIPAL UTILITY	DOCKET NO. WRU-00-8-704
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ORDER GRANTING WAIVER

(Issued February 24, 2000)

On January 28, 2000, the Board of Trustees of Indianola Municipal Utility (Indianola), filed with the Iowa Utilities Board (Board) a request for waiver of the generating certificate requirements of Iowa Code Chapter 476A. Indianola currently has a generating plant at 1202 East Iowa Avenue with two fuel oil units, one with a capacity of 22.3 MW and the other with a capacity of 1 MW. Indianola plans to add a third generator to this site, a refurbished combustion turbine with a nameplate capacity of 22.5 MW. On February 10, 2000, the Consumer Advocate Division of the Department of Justice filed a response stating it did not object to the Board granting the waiver request.

Indianola in its request states that it generally purchases power from MidAmerican Energy Company (MidAmerican). However, the MidAmerican contract is subject to interruption during high load periods and system emergencies. Indianola projects that the proposed facility will allow Indianola to meet needs for peaking capacity through 2002. Indianola's studies show the proposed generator will also enhance system reliability and any excess short-term capacity will be sold to

MidAmerican. Indianola said adding the combustion turbine rather than purchasing capacity will save approximately \$2.2 million.

Iowa Code § 476A.15 specifically grants the Board the authority to waive any of the requirements of Chapter 476A for facilities with a capacity of 100 MW or less if the Board determines the public interest will not be detrimentally affected. With the third unit, the facility's total capacity will be 48.5 MW. Iowa Code § 476A.1(5).

The decision criteria for a generation certificate are found in Iowa Code § 476A.6. Three of the criteria which relate to having a comprehensive energy management program, consideration of long-term electric supply, and examination of feasible alternatives to building generation are used primarily for rate-regulated electric utilities because the decision to build generation can have a significant impact on regulated electric rates. Because Indianola is a non-rate regulated municipal utility, these criteria have little or no impact on the Board's decision whether or not to grant a certificate. Consideration of long-term supply, examination of alternatives, and the ultimate impact on rates are matters for consideration by Indianola's governing body. The Board notes that Indianola has in fact examined alternatives and concluded the combustion turbine is the least-cost alternative.

The remaining three decision criteria are 1) whether the facility is required, 2) whether the applicant will construct, maintain, and operate the facility pursuant to the provisions of the certificate, and 3) whether the construction, maintenance, and operation of the facility will cause minimum adverse land use, environmental, and aesthetic impact. Indianola in its waiver request has provided sufficient information to establish the need for the facility, the first remaining criteria. With respect to the

second criteria, Chapter 476A provides that if there is a significant alteration to the facility, Board approval is required. Because this requirement is statutory, it does not need to be restated in a certificate.

The final decision criterion relates primarily to environmental factors. Environmental permits are within the purview of the Department of Natural Resources (DNR) and the Board has traditionally deferred to DNR's expertise in these areas and has found this criteria satisfied if DNR issues the appropriate permits. The Board finds that the waiver request adequately addresses the decision criteria for a generating certificate and will therefore waive the requirements of Chapter 476A. The waiver will not detrimentally affect the public interest. However, the Board reminds Indianola that it must obtain any applicable environmental permits and comply with any other state and local regulations, such as zoning or land use restrictions.

IT IS THEREFORE ORDERED:

The request for waiver filed by the Board of Trustees of Indianola Municipal Utility, on January 28, 2000, is granted.

UTILITIES BOARD

/s/ Allan T. Thoms

/s/ Susan J. Frye

ATTEST:

/s/ Judi K. Cooper
Executive Secretary, Deputy

/s/ Diane Munns

Dated at Des Moines, Iowa, this 24th day of February, 2000.